



▼ NC Lending Laws and Chapter 24

House Select Committee on Banking and Loan Origination Fee Reform

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NC Has Been a
Leader

- **Anti-Predatory Lending
Protections (Passed in 1999; GS
24-1.1E)**
- **Protections for Subprime Loans
(Passed in 2007; GS 24-1.1F)**
- **“The Secure and Fair
Enforcement Mortgage
Licensing Act” (Passed in 1999;
Article 19B of *Chapter 53*)**

Persons/Entities
that Must Comply
with Chapter 24

- Banks (State-Chartered NC Banks and Those Applying “Host State Law”)
- NC Mortgage Companies
- Anyone Lending Money Under the Authority of Chapter 24

Some Other
Notable Entities
Affected by
Chapter 24

- **Credit Unions (Through Interpretations by the Attorney General of Chapter 54 and Chapter 24)**
- **Retailers (Credit Cards and Revolving Charge Accounts; GS 24-11)**
- **Consumer Finance Companies (For Loans Not Made Under Article 15 of Chapter 53)**

How Lending Has Changed

- Offerings by Out-of-State and National Lenders
- Internet-Based Lending
- Convergence in the Offerings by Banks, Credit Unions, Mortgage Companies, and Others
- Peer-to-Peer Lending
- FinTechs

Issues with
Current Chapter
24

- 41 Statutes (7 Repealed or Expired)
- No “Scope Provision”
- You Have to Jump 25 Statutes to Get to One Setting Out Which Loans are Exempt
- No Statute with Definitions for the Chapter as a Whole, Creating Litigation Fodder

Issues with Current Chapter 24 (Continued)

- Well-Intended, But with Each Revision the Chapter Has Become Harder to Understand
- A Law Firm Representing Banks Prepared a 36-Page Memo with Charts to Try to Help Banks Organize and Understand What Is Authorized by Chapter 24
- Many Statutes Haven't Been Inflation-Adjusted in Decades
- The Anti-Predatory Lending and Subprime Tests Are Similar to But Don't Quite Match Federal Regulation Z

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Ideas

- Reorganize or Replace Chapter 24
- Add Definitions and a Scope Provision
- Clarify Those Instances Where Restrictions Apply to Interest Rates and Fees
- Add Inflation Adjustments
- Align the State Tests for High-Cost and Rate-Spread Loans with Federal Regulation Z
- Consider Simplifying the Number of Loan Categories

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Questions?

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